

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
INDEPENDENT AUDITORS' REPORTS  
FINANCIAL STATEMENTS AND  
SCHEDULE OF FINDINGS  
JUNE 30, 2004 AND 2003

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA

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CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA

## OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
Ken Slater	Chairman	Cherokee
Dick Robinson	Vice-Chairman	Meriden
Chuck Lindgren	Board Member	Aurelia
Bud Clow	Board Member	Cherokee County
Les Pederson	Board Member	Cleghorn
Dan James	Board Member	Larrabee
Steve Galigan	Board Member	Marcus
Betty Woltman	Board Member	Quimby
Don Parrott	Board Member	Washta
Don Pitts	Manager	
Julie Mugge	Assistant Manager	
John Loughlin, Jr.	Attorney	

## INDEPENDENT AUDITORS' REPORT

To the Members of  
Cherokee County Solid Waste Commission

We have audited the accompanying financial statements of Cherokee County Solid Waste Commission, as of and for the years ended June 30, 2004 and 2003. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cherokee County Solid Waste Commission as of June 30, 2004 and 2003, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 13, during the year ended June 30, 2004, Cherokee County Solid Waste Commission adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2004 on our consideration of the Cherokee County Solid Waste Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 4 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

KINDWALL, BURKHARDT & DAWSON, LLP

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Certified Public Accountants

September 23, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Cherokee County Solid Waste Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

- \* The Commission's operating revenues increased 3% or \$45,972, from fiscal 2003 to fiscal 2004. Commercial fees, individual, specialty, appliance disposal, and sales increased. Cherokee County and City fees remained the same. Other County fees and miscellaneous income decreased.
- \* The Commission's operating expenses were .1%, or \$1,507, less in fiscal 2004 than in fiscal 2003.
- \* The Commission's net assets increased 5%, or \$92,642, from June 30, 2003 to June 30, 2004.

### USING THIS ANNUAL REPORT

The Cherokee County Solid Waste Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Cherokee County Solid Waste Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Division and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## FINANCIAL ANALYSIS OF THE COMMISSION

### *Statement of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets for fiscal 2004 totaled approximately \$1,797,000. This compares to approximately \$1,704,000 for fiscal 2003. A summary of the Commission's net assets is presented below.

NET ASSETS		
	2004	2003
Current Assets	\$1,800,568	\$1,542,764
Restricted Investments	180,158	155,304
Capital Assets at Cost, Less Accumulated Depreciation	1,658,386	1,756,268
Other Assets	18,421	18,421
<b>TOTAL ASSETS</b>	<b>\$3,657,533</b>	<b>\$3,472,757</b>
Current Liabilities	\$ 124,998	\$ 87,106
Long Term Debt	0	3,490
Other Liabilities	915,891	858,159
<b>TOTAL LIABILITIES</b>	<b>\$1,040,889</b>	<b>\$ 948,755</b>
Net Assets:		
Invested in Capital Assets, Net of Related Debt (Including Contributed Capital of \$820,000)	\$1,658,386	\$1,738,818
Restricted	399,329	321,010
Unrestricted	558,929	464,174
<b>TOTAL NET ASSETS</b>	<b>\$2,616,644</b>	<b>\$2,524,002</b>

The largest portion of the Commission's net assets are invested in capital assets (63%, e.g., land, buildings and equipment), less the related debt portion of net assets, which are resources allocated to capital assets.

A portion of the Commission's net assets (22%) are the unrestricted net assets that can be used to meet the Commission's obligations as they come due. The remaining net assets (15%) is the restricted for closure and postclosure care, for tonnage fees due to or restricted by the State of Iowa and Board designated funds. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

*Statement of Revenues, Expenses and Changes in Net Assets*

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income, rental income and rental expenses. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended June 30, 2004 is presented below:

REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	YEAR ENDED JUNE 30,	
	2004	2003
OPERATING REVENUES:		
Counties Fees	\$ 578,876	\$ 588,129
Cities Fees	228,212	228,212
Sanitary Services Fees	114,174	113,232
Commercial	62,484	38,008
Wells Blue Bunny	96,190	101,395
Continental Deli	78,138	76,825
Hy-Vee	6,200	5,603
Individuals	11,770	10,141
Specialty	12,197	408
Appliance Disposal	7,650	7,140
Miscellaneous	343	586
Sales:		
Cardboard	87,976	81,805
Plastics	29,737	20,967
Metals	3,092	2,003
Aluminum	34,890	31,128
Paper	35,568	28,486
TOTAL OPERATING REVENUES	<u>\$1,387,497</u>	<u>\$1,334,068</u>
OPERATING EXPENSES:		
Salaries	\$ 495,194	\$ 460,007
Payroll Tax Expense	66,994	60,677
Directors and Management Fees	8,187	2,607
Sublet Contract Work	44,123	53,139
Newspaper Purchased	7,861	8,076
Advertising and Sales Promotion	139	272
Shop Supplies and Expenses	36,850	25,508
Insurance	56,649	48,520
Medical Insurance	74,540	60,854
Vehicles Expense	15,786	18,132
Freight	4,378	2,419
Appliance Disposal Fees	7,440	9,192
Repairs - Building	5,357	1,423
Repairs - Equipment	8,019	14,416
Landfill Dirt Work and Topcoat	3,960	11,340
Rock Expense	4,188	10,414
Landfill Fuel Expense	20,124	17,239
Landfill Expenses	50,875	20,843
Recycling Expense	8,765	5,478
PCB Clinic Expenses	8,462	2,744
Depreciation	211,817	196,863
Utilities	31,090	29,668
Engineering and Testing	17,664	34,304
Iowa Department of Natural Resources		
Tonnage Fees	58,083	41,323
Leachate	6,085	9,812
Office Supplies and Postage	5,447	5,011
Dues and Subscriptions	149	279
Professional Services	7,590	7,232
Meeting, Travel and Entertainment	387	117
Bad Debt Expense	48	4
License, Fees and Permits	1,208	795
Closure and Postclosure Care Costs	57,732	166,515
Cafeteria Plan Expense	134	966
Miscellaneous Expense	258	901
TOTAL OPERATING EXPENSES	<u>\$1,325,583</u>	<u>\$1,327,090</u>
OPERATING INCOME	<u>\$ 61,914</u>	<u>\$ 6,978</u>



	YEAR ENDED JUNE 30,	
	2004	2003
NON-OPERATING REVENUES (EXPENSES) :		
Interest Income	\$ 26,470	\$ 33,927
Land and Rental House Income	6,990	6,990
Rental House Repairs	0	(944)
Rental House Insurance	(372)	(363)
Rental House Depreciation	(1,068)	(1,068)
Rental Land Property Taxes	(1,292)	(1,386)
TOTAL NON-OPERATING REVENUES	\$ 30,728	\$ 37,156
INCREASE IN NET ASSETS	\$ 92,642	\$ 44,134
NET ASSETS - BEGINNING OF YEAR	1,704,002	1,659,868
NET ASSETS - END OF YEAR	\$1,796,644	\$1,704,002

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

In fiscal 2004, operating revenues increased by \$45,972, or 3%, primarily a result of sales increasing by approximately \$27,000 due to an increase in the revenue from materials sold. Operating expenses increased by \$1,507, or .1%.

#### *Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financial activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposit and interest income.

#### CAPITAL ASSETS

At June 30, 2004, the Commission had approximately \$1,658,386 invested in capital assets, net of accumulated depreciation of approximately \$1,772,880. Depreciation charges totaled \$212,885 for fiscal 2004. More detailed information about the Commission's capital assets is presented in the Statement of Net Assets.

#### LONG TERM DEBT

At June 30, 2004, the Commission had \$-0- in debt outstanding, a decrease of \$17,450 from 2003. The table below summarizes outstanding debt by type.

	2004	2003
Note Payable - DNR	\$ 0	\$ 17,450
TOTAL	\$ 0	\$ 17,450

Additional information about the Commission's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS

Cherokee County Solid Waste Commission continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- \* Facilities at the Commission require constant maintenance and upkeep.
- \* Technology continues to expand and current technology becomes outdated presenting a continued challenge to maintain up to date technology at a reasonable cost.
- \* Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

## CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cherokee County Solid Waste Commission, 1805 Linden Street, Cherokee, Iowa.

## **Basic Financial Statements**

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
STATEMENTS OF NET ASSETS  
JUNE 30, 2004 AND 2003

	ASSETS	
	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS:</b>		
Cash in Bank	\$ 182,009	\$ 142,009
Cash in Bank - Board Designated - Equipment	36,335	12,212
Cash in Bank - DNR	124,888	96,511
Certificates of Deposit	1,185,588	1,064,085
Certificate of Deposit - Board Designated - Roof	21,971	21,628
Certificate of Deposit - Board Designated - Equipment	35,979	35,355
Accounts Receivable - Governmental	70,415	73,036
Accounts Receivable - Others	68,784	61,567
Accrued Interest Receivable	3,608	3,843
Prepaid Insurance	59,817	30,423
Prepaid Topcoat Expense	6,820	1,100
Cafeteria Plan	585	995
Due From Employee	<u>3,769</u>	<u>0</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>\$1,800,568</u></b>	<b><u>\$1,542,764</u></b>
<b>RESTRICTED INVESTMENTS:</b>		
Certificates of Deposit - Restricted - Closure and Postclosure Costs	\$ 179,945	\$ 155,075
Accrued Interest Receivable - Restricted	<u>213</u>	<u>229</u>
<b>TOTAL RESTRICTED INVESTMENTS</b>	<b><u>\$ 180,158</u></b>	<b><u>\$ 155,304</u></b>
<b>CAPITAL ASSETS:</b>		
Land	\$ 424,000	\$ 424,000
Buildings	821,366	802,459
Machinery and Equipment	1,913,655	1,888,691
Office Equipment and Furniture	19,087	17,743
Land Improvements	197,594	197,594
East Landfill	<u>55,564</u>	<u>0</u>
	\$3,431,266	\$3,330,487
<b>LESS - Accumulated Depreciation</b>	<b><u>1,772,880</u></b>	<b><u>1,574,219</u></b>
<b>NET CAPITAL ASSETS</b>	<b><u>\$1,658,386</u></b>	<b><u>\$1,756,268</u></b>
<b>OTHER ASSETS:</b>		
Investment - PCB Agency	<u>\$ 18,421</u>	<u>\$ 18,421</u>
<b>TOTAL ASSETS</b>	<b><u>\$3,657,533</u></b>	<b><u>\$3,472,757</u></b>

LIABILITIES AND NET ASSETS		
	<u>2004</u>	<u>2003</u>
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 78,070	\$ 33,804
Payroll Taxes Payable	6,323	5,158
Sales Tax Payable	1,761	1,377
Accrued Salaries and Vacations Payable	38,844	32,807
Current Maturities of Long Term Debt	<u>0</u>	<u>13,960</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 124,998</b>	<b>\$ 87,106</b>
<b>LONG TERM DEBT:</b>		
Note Payable - DNR	\$ 0	\$ 17,450
LESS - Current Maturities	<u>0</u>	<u>13,960</u>
<b>TOTAL LONG TERM DEBT</b>	<b>\$ 0</b>	<b>\$ 3,490</b>
<b>OTHER LIABILITIES:</b>		
Estimated Liability for Landfill Closure and Postclosure Care Costs	<u>\$ 915,891</u>	<u>\$ 858,159</u>
<b>TOTAL LIABILITIES</b>	<b>\$1,040,889</b>	<b>\$ 948,755</b>
<b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt (Including Contributed Capital of \$820,000)	\$1,658,386	\$1,738,818
Restricted For:		
Tonnage Fees Retained	124,888	96,511
Closure	135,455	133,297
Postclosure Care	44,702	22,007
Board Designated	94,284	69,195
Unrestricted	<u>558,929</u>	<u>464,174</u>
<b>TOTAL NET ASSETS</b>	<b>\$2,616,644</b>	<b>\$2,524,002</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b><u>\$3,657,533</u></b>	 <b><u>\$3,472,757</u></b>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION  
 CHEROKEE, IOWA  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Counties Fees	\$ 578,876	\$ 588,129
Cities Fees	228,212	228,212
Sanitary Services Fees	114,174	113,232
Commercial	62,484	38,008
Wells Blue Bunny	96,190	101,395
Continental Deli	78,138	76,825
Hy-Vee	6,200	5,603
Individuals	11,770	10,141
Specialty	12,197	408
Appliance Disposal	7,650	7,140
Miscellaneous	343	586
Sales:		
Cardboard	87,976	81,805
Plastics	29,737	20,967
Metals	3,092	2,003
Aluminum	34,890	31,128
Paper	<u>35,568</u>	<u>28,486</u>
 TOTAL OPERATING REVENUES	 <u>\$1,387,497</u>	 <u>\$1,334,068</u>
OPERATING EXPENSES:		
Salaries	\$ 495,194	\$ 460,007
Payroll Tax Expense	66,994	60,677
Directors and Management Fees	8,187	2,607
Sublet Contract Work	44,123	53,139
Newspaper Purchased	7,861	8,076
Advertising and Sales Promotion	139	272
Shop Supplies and Expenses	36,850	25,508
Insurance	56,649	48,520
Medical Insurance	74,540	60,854
Vehicles Expense	15,786	18,132
Freight	4,378	2,419
Appliance Disposal Fees	7,440	9,192
Repairs - Building	5,357	1,423
Repairs - Equipment	8,019	14,416
Landfill Dirt Work and Topcoat	3,960	11,340
Rock Expense	4,188	10,414
Landfill Fuel Expense	20,124	17,239
Landfill Expenses	50,875	20,843
Recycling Expense	8,765	5,478
PCB Clinic Expenses	8,462	2,744
Depreciation	211,817	196,863
Utilities	31,090	29,668
Engineering and Testing	17,664	34,304

CHEROKEE COUNTY SOLID WASTE COMMISSION  
 CHEROKEE, IOWA  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
OPERATING EXPENSES - CONTINUED:		
Iowa Department of Natural Resources		
Tonnage Fees	\$ 58,083	\$ 41,323
Leachate	6,085	9,812
Office Supplies and Postage	5,447	5,011
Dues and Subscriptions	149	279
Professional Services	7,590	7,232
Meeting, Travel and Entertainment	387	117
Bad Debt Expense	48	4
License, Fees and Permits	1,208	795
Closure and Postclosure Care Costs	57,732	166,515
Cafeteria Plan Expense	134	966
Miscellaneous Expense	<u>258</u>	<u>901</u>
TOTAL OPERATING EXPENSES	<u>\$1,325,583</u>	<u>\$1,327,090</u>
OPERATING INCOME	<u>\$ 61,914</u>	<u>\$ 6,978</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest Income	\$ 26,470	\$ 33,927
Land and Rental House Income	6,990	6,990
Rental House Repairs	0	(944)
Rental House Insurance	(372)	(363)
Rental House Depreciation	(1,068)	(1,068)
Rental Land Property Taxes	<u>(1,292)</u>	<u>(1,386)</u>
NET NON-OPERATING REVENUES	<u>\$ 30,728</u>	<u>\$ 37,156</u>
INCREASE IN NET ASSETS	\$ 92,642	\$ 44,134
NET ASSETS - BEGINNING OF YEAR	<u>1,704,002</u>	<u>1,659,868</u>
NET ASSETS - END OF YEAR	<u>\$1,796,644</u>	<u>\$1,704,002</u>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION  
 CHEROKEE, IOWA  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	\$ 61,914	\$ 6,978
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	212,885	197,931
Closure and Postclosure Costs	57,732	166,515
(Increase) Decrease In:		
Accounts Receivable	(4,596)	(1,205)
Prepaid Insurance	(29,394)	5,480
Prepaid Topcoat Expense	(5,720)	(760)
Cafeteria Plan	410	(995)
Due From Employee	(3,769)	0
Increase (Decrease) In:		
Accounts Payable	44,266	(11,872)
Payroll Taxes Payable	1,165	510
Sales Tax Payable	384	9
Accrued Salaries and Vacations Payable	<u>6,037</u>	<u>6,000</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 341,314</u>	<u>\$ 368,591</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Repayments	\$ (17,450)	\$ (13,958)
Purchases of Property and Equipment	(115,003)	(327,942)
Proceeds From Rental of Property and Equipment - Net of Expenses	<u>4,258</u>	<u>3,229</u>
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (128,195)</u>	<u>\$ (338,671)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of Interest	<u>\$ 26,721</u>	<u>\$ 33,882</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 239,840	\$ 63,802
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,526,875</u>	<u>1,463,073</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$1,766,715</u>	<u>\$1,526,875</u>
SUPPLEMENTAL DISCLOSURES:		
Interest Paid	<u>\$ 0</u>	<u>\$ 0</u>



CHEROKEE COUNTY SOLID WASTE COMMISSION  
 CHEROKEE, IOWA  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
COMPONENTS OF CASH - END OF YEAR:		
Cash in Bank	\$ 182,009	\$ 142,009
Cash in Bank - Board Designated - Equipment	36,335	12,212
Cash in Bank - DNR	124,888	96,511
Certificates of Deposit	1,185,588	1,064,085
Certificate of Deposit - Board Designated - Roof	21,971	21,628
Certificate of Deposit - Board Designated - Equipment	35,979	35,355
Certificates of Deposit - Restricted - Closure Costs	<u>179,945</u>	<u>155,075</u>
	<u>\$1,766,715</u>	<u>\$1,526,875</u>
 SCHEDULE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING TRANSACTIONS:		
Acquisition of Property and Equipment:		
Cost of Property and Equipment, Net of Trade-In	\$ 99,015	\$ 384,402
(Gain) Loss on Trade-In	<u>15,988</u>	<u>(56,460)</u>
 CASH DOWN PAYMENT FOR PROPERTY AND EQUIPMENT	 <u>\$ 115,003</u>	 <u>\$ 327,942</u>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Cherokee County Solid Waste Commission owns and operates a sanitary solid waste landfill site and separation center in Cherokee County, Iowa. The Commission is a proprietary fund type 28E organization and was established to provide for the economic collection and disposal of all solid waste produced or generated within each member Municipality and to cooperate in preventing the contamination of our natural resources. The Commission is composed of one representative from each of the eight member cities and one representative from Cherokee County. Members of the Commission are the County of Cherokee, the Cities of Cherokee, Aurelia, Quimby, Washta, Marcus, Cleghorn, Meriden, and Larrabee.

The Separation Center was started in October of 1989 to recycle solid waste materials.

A. REPORTING ENTITY - For financial reporting purposes, the Cherokee County Solid Waste Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. JOINTLY GOVERNED ORGANIZATION - The Commission also participates in a jointly governed organization, PCB Solid Waste Agency, whose purpose is to provide leadership in developing and preparing a joint comprehensive Solid Waste Management Plan and to assist in facilitating the disposal of any type of solid waste within the geographic area of the Agency.

Plymouth, Cherokee and Buena Vista landfills are members of PCB Solid Waste Agency.

The Agency does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating Commissions.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

C. BASIS OF PRESENTATION - The accounts of the Cherokee County Solid Waste Commission are organized as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - The financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
 CHEROKEE, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2004 AND 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

E. ASSETS, LIABILITIES AND NET INVESTMENTS - The following accounting policies are followed in preparing the statement of net assets:

CASH EQUIVALENTS - The Commission considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Commission did not have any short-term investments during the years ended June 30, 2004 and 2003.

RESTRICTED ASSETS - Funds set aside for payment of closure and postclosure care costs are classified as restricted.

CAPITAL ASSETS - Property and equipment are accounted for at original cost. Donated equipment is valued at its estimated fair value on the date donated. Expenditures for additions and substantial betterments are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. The cost of assets retired or sold and the related accumulated depreciation are eliminated from the accounts in the year of disposal, with the resulting gain or loss recorded in current operations.

Reported capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>ASSET CLASS</u>	<u>AMOUNT</u>
Building and Improvements	\$ 1,000
Equipment and Vehicles	\$ 1,000

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIVES (IN YEARS)</u>
Buildings	39
Building Improvements	7-20
Equipment and Vehicles	7-15

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

E. ASSETS, LIABILITIES AND NET INVESTMENTS - Continued:

CAPITAL ASSETS - Continued:

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2004 and 2003.

COMPENSATED ABSENCES - Commission employees accumulate a limited amount of earned but unused vacation and personal leave hours for subsequent use or for payment upon termination, death or retirement. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004 and 2003.

ACCOUNTS RECEIVABLE - Bad debts are provided on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable at the end of the fiscal year. The allowance for doubtful accounts at June 30, 2004 and 2003 was \$ -0- and \$ -0-, respectively.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS:

The Commission's deposits in banks at June 30, 2004 and 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission's deposits at North Star Community Credit Union exceeded \$100,000, which is the amount insured by NCUA for the year ended June 30, 2004.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

NOTE 2 - CASH AND INVESTMENTS - Continued:

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the Members of the Commission Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvements certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Auditing Standard Board Statement Number 3.

NOTE 3 - NOTE PAYABLE:

Note payable consists of the following:

	<u>2004</u>	<u>2003</u>
Note payable to the DNR with no interest. Principal payments of \$3,490 were due quarterly through July 15, 2004. The note was for a new building and was financed by the Landfill Alternatives Financial Assistance Program. The note was paid in full in October 2003.	\$ 0	\$ 17,450
LESS - Current Maturities	<u>0</u>	<u>13,960</u>
	<u>\$ 0</u>	<u>\$ 3,490</u>

NOTE 4 - CONTRIBUTED CAPITAL:

Contributed capital on June 30, 2004 and 2003 consists of:

	<u>2004</u>	<u>2003</u>
DNR Grant	\$375,000	\$375,000
In Kind Contribution From Lundell Manufacturing	<u>445,000</u>	<u>445,000</u>
	<u>\$820,000</u>	<u>\$820,000</u>

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

NOTE 5 - RENT INCOME:

The Commission has a short term operating lease on the house at the landfill site with an employee.

The Commission has an operating lease on 38 acres of land with unrelated parties. The lease agreement is for \$105 per acre. The acres may vary as the landfill uses the land. One-half of the payment is to be received on or before March 1st and the second half is due on or before November 1st. The lease agreement expires March 1, 2005. The total parcel of 80 acres of land has a book cost of \$280,000.

Land and rental house income resulted in income of \$6,990 and \$6,990 for the years ended June 30, 2004 and 2003, respectively.

The future minimum rental on the 38 acres of land is as follows:

YEAR ENDED JUNE 30,	AMOUNT
2005	<u>\$ 1,995</u>

NOTE 6 - PENSION AND RETIREMENT BENEFITS:

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Commission is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$25,293, \$23,101, and \$22,834, respectively, equal to the required contributions for each year.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

NOTE 7 - MAJOR CUSTOMER AND ECONOMIC DEPENDENCY:

Plymouth County Solid Waste Agency is a major customer of the Cherokee County Solid Waste Commission. Revenues from Plymouth County Solid Waste Agency accounted for \$332,029 of total revenues of \$1,387,497 (24%) for the fiscal year ended June 30, 2004, and \$331,075 of total revenues of \$1,334,068 (25%) for the fiscal year ended June 30, 2003. The current contract expires June 30, 2005.

NOTE 8 - RISK MANAGEMENT:

Cherokee County Solid Waste Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.



CHEROKEE COUNTY SOLID WASTE COMMISSION  
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JUNE 30, 2004 AND 2003

NOTE 8 - RISK MANAGEMENT - Continued:

The Cherokee County Solid Waste Commission's property and casualty contributions to the risk pool are recorded as disbursements from its operating fund at the time of payment to the risk pool. The Cherokee County Solid Waste Commission's annual contributions to the Pool for the years ended June 30, 2004 and 2003 were \$21,327 and \$17,927, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Cherokee County Solid Waste Commission does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the Cherokee County Solid Waste Commission's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage in any of the past three fiscal years.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
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NOTE 8 - RISK MANAGEMENT - CONTINUED:

Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal and the member's proportionate share of any capital deficiency.

The Cherokee County Solid Waste Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation, employee blanket bond, and a rental house. The Commission assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - CASH IN BANK - BOARD DESIGNATED:

The Commission has designated \$2,000 and \$2,000 per month as of June 30, 2004 and 2003, respectively to be deposited in a savings account and a certificate of deposit to be used for equipment purchases. The Board has designated a \$14,000 certificate of deposit as the roof replacement account. This was insurance proceeds received due to hail damage on the building's roof during the fiscal year ended June 30, 1995.

	<u>2004</u>	<u>2003</u>
Balance - Beginning of Period	\$ 69,195	\$104,697
Add - Transfers From Operating Account and CD's	24,000	224,803
- Interest Income	<u>1,090</u>	<u>2,205</u>
TOTAL	\$ 94,285	\$331,705
Less - Transfer to Operating Account	<u>0</u>	<u>262,510</u>
Balance - End of Period	<u>\$ 94,285</u>	<u>\$ 69,195</u>

NOTE 10- SOLID WASTE TONNAGE FEES RETAINED:

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
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JUNE 30, 2004 AND 2003

NOTE 10 - SOLID WASTE TONNAGE FEES RETAINED - CONTINUED:

As of June 30, 2004 and 2003, the unspent amounts retained by the Commission and restricted for the required purposes totaled \$124,888 and \$96,511, respectively.

NOTE 11- RELATED PARTY TRANSACTIONS:

The Commission had business transactions between the Commission and Commission officials, for repairs and accounts receivable totaling \$2,411 and \$2,946 for June 30, 2004 and 2003, respectively.

Also, as stated in Note 5, the Commission has a short term operating lease on the house at the landfill site to an employee.

NOTE 12- CLOSURE AND POSTCLOSURE CARE COSTS:

To comply with Federal and State regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 12- CLOSURE AND POSTCLOSURE CARE COSTS - Continued:

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

During the fiscal year ended June 30, 1999 it was determined that the Commission could use additional vertical expansion to increase the capacity and life of the currently used portion of the landfill.

These costs for the Cherokee County Solid Waste Commission have been estimated at \$128,930 for closure and \$965,265 for postclosure, for a total of \$1,094,195 as of June 30, 2004, and the portion of the liability that has been recognized is \$915,891. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2004. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 4 years and the capacity used at June 30, 2004 is 84 percent.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2004, assets of \$180,158 are restricted for these purposes, of which \$135,456 is for closure and \$44,702 is for postclosure care. They are reported as restricted investments and restricted net assets on the Statements of Net Assets.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
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NOTE 12- CLOSURE AND POSTCLOSURE CARE COSTS - CONTINUED:

These costs for the Cherokee County Solid Waste Commission have been estimated at \$127,025 for closure and \$951,000 for postclosure, for a total of \$1,078,025 as of June 30, 2003, and the portion of the liability that has been recognized is \$858,159. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2003. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 5 years and the capacity used at June 30, 2003 is 80 percent.

Chapter 455B.306(8) (b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2003, assets of \$155,304 are restricted for these purposes, of which \$133,297 is for closure and \$22,007 is for postclosure care. They are reported as restricted investments and restricted net assets on the Statements of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund mechanism. The Commission obtained a local government guaranty from Cherokee County on June 10, 1997 for the purpose of financing the postclosure costs of the landfill.

Chapter 567-111.8(7) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the landfill is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

## NOTE 13- ACCOUNTING CHANGE:

For the year ended June 30, 2004, the Commission implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these statements had no effect on the beginning balances of the Commission.

## NOTE 14- CAPITAL ASSETS:

A summary of capital assets at June 30, 2004 and 2003 is as follows:

	<u>2004</u>			
	BALANCE BEGINNING OF YEAR	INCREASE	DECREASE	BALANCE END OF YEAR
Capital Assets Not Being Depreciated:				
Land	\$ 424,000	\$ 0	\$ 0	\$ 424,000
East Landfill	0	55,564	0	55,564
TOTAL CAPITAL ASSETS NOT DEPRECIATED	\$ 424,000	\$ 55,564	\$ 0	\$ 479,564
Capital Assets Being Depreciated:				
Buildings	\$ 802,459	\$ 18,907	\$ 0	\$ 821,366
Machinery and Equipment	1,888,691	69,749	(44,785)	1,913,655
Office Equipment and Furniture	17,743	1,344	0	19,087
Land Improvements	197,594	0	0	197,594
TOTAL CAPITAL ASSETS DEPRECIATED	\$2,906,487	\$ 90,000	\$ (44,785)	\$2,951,702
Less Accumulated Depreciation For:				
Buildings	\$ 297,105	\$ 26,615	\$ 0	\$ 323,720
Machinery and Equipment	1,213,374	179,170	(14,224)	1,378,320
Office Equipment and Furniture	15,507	1,356	0	16,863
Land Improvements	48,233	5,744	0	53,977
TOTAL ACCUMULATED DEPRECIATION	\$1,574,219	\$ 212,885	\$ (14,224)	\$1,772,880
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	\$1,332,268	\$ (122,885)	\$ (30,561)	\$1,178,822
TOTAL CAPITAL ASSETS, NET	\$1,756,268	\$ (67,321)	\$ (30,561)	\$1,658,386

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

## NOTE 14- CAPITAL ASSETS - Continued:

	<u>2003</u>			
	<u>BALANCE BEGINNING OF YEAR</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>BALANCE END OF YEAR</u>
Capital Assets Not Being Depreciated:				
Land	\$ 424,000	\$ 0	\$ 0	\$ 424,000
TOTAL CAPITAL ASSETS NOT DEPRECIATED	<u>\$ 424,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 424,000</u>
Capital Assets Being Depreciated:				
Buildings	\$ 802,459	\$ 0	\$ 0	\$ 802,459
Machinery and Equipment	1,764,448	358,482	(234,239)	1,888,691
Office Equipment and Furniture	17,743	0	0	17,743
Land Improvements	<u>197,594</u>	<u>0</u>	<u>0</u>	<u>197,594</u>
TOTAL CAPITAL ASSETS DEPRECIATED	<u>\$2,782,244</u>	<u>\$ 358,482</u>	<u>\$ (234,239)</u>	<u>\$2,906,487</u>
Less Accumulated Depreciation For:				
Buildings	\$ 270,641	\$ 26,464	\$ 0	\$ 297,105
Machinery and Equipment	1,252,894	164,179	(203,699)	1,213,374
Office Equipment and Furniture	13,962	1,545	0	15,507
Land Improvements	<u>42,490</u>	<u>5,743</u>	<u>0</u>	<u>48,233</u>
TOTAL ACCUMULATED DEPRECIATION	<u>\$1,579,987</u>	<u>\$ 197,931</u>	<u>\$ (203,699)</u>	<u>\$1,574,219</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>\$1,202,257</u>	<u>\$ 160,551</u>	<u>\$ (30,540)</u>	<u>\$1,332,268</u>
TOTAL CAPITAL ASSETS, NET	<u>\$1,626,257</u>	<u>\$ 160,551</u>	<u>\$ (30,540)</u>	<u>\$1,756,268</u>

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING**



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Members of  
Cherokee County Solid Waste Commission

We have audited the financial statements of Cherokee County Solid Waste Commission, Cherokee, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 23, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Cherokee County Solid Waste Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item (1) and (8).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cherokee County Solid Waste Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Cherokee County Solid Waste Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A), (B), (C), (D), (E) and (F) are material weaknesses. Prior year reportable conditions have been resolved except for items (A) and (B).

This report, a public record by law, is intended for the information and use of the members and customers of the Cherokee County Solid Waste Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cherokee County Solid Waste Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

KINDWALL, BURKHARDT & DAWSON, LLP

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Certified Public Accountants

September 23, 2004

CHEROKEE COUNTY SOLID WASTE COMMISSION  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties - An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one person has control over each of the following areas for the Commission:

1. Accounting System - record keeping for revenues and expenses, and related reporting.
2. Receipts - collecting, depositing, journalizing and posting.
3. Bank Reconciliation - preparation and maintenance of accounting records.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Landfill should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - Since hiring Jennie Mier for scale/office, she has been doing deposits with Julie checking over. She also inputs sales and invoices and counts all money and checks. She helps with bank reconciliation and is learning more about general ledger, accounts receivable and accounts payable.

Conclusion - We recommend you continue to review your internal control procedures to obtain the maximum internal control possible under the circumstances.

- (B) Capitalization Policy - The Commission has adopted a \$1,000 capitalization policy for property and equipment additions. Items purchased during the year were not correctly coded to the appropriate asset or expense account.

Recommendation - Property and equipment additions costing \$1,000 and above should be coded to the correct asset account. Property and equipment purchases costing below the \$1,000 capitalization policy should be coded to the correct expense account.

Response - We will try to code to the correct expense account or correct asset account in the future.

Conclusion - Response accepted.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
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- (C) County Assessment - We noted that Cherokee County underpaid their monthly assessment starting in July 2004.

Recommendation - Cherokee County should be billed for the months they underpaid their monthly assessment.

Response - We have collected the underpaid amount and Cherokee County continues to pay the correct monthly assessment amount.

Conclusion - Response accepted.

- (D) Invoice Register -. We noted 3 invoices in May of 2004 were incorrectly numbered. The numbers were either missing a digit or had an extra digit.

Recommendation - The invoice register, sorted by invoice number, should be scanned monthly to find errors and correct them.

Response - We will scan the report monthly and correct any errors.

Conclusion - Response accepted.

- (E) Finance Charges - We noted finance charges were not calculated for July, October, November, March, and April.

Recommendation - Finance charges should be consistently calculated each month.

Response - We are now doing finance charges monthly.

Conclusion - Response accepted.

- (F) DNR Reimbursement - We noted that DNR reserve accounts are not being used to reimburse the Commission checking account for qualified expenses.

Recommendation - Reimbursements for qualified expenses from DNR reserve accounts should be done on a regular basis.

Response - We have started reimbursements for qualified expenses from DNR Reserve Accounts on 4<sup>th</sup> quarter tonnage report.

Conclusion - Response accepted.

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Other Findings Related to Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been adopted by the Commission.

The Commission has a certificate of deposit invested at Farmers State Bank but they are not listed as a bank on the depository resolution.

The Commission also has certificates of deposit totaling more than \$100,000 invested at North Star Community Credit Union. A letter-of-credit in the amount of 110% of the uninsured funds is not on file at the Commission.

Recommendation - The depository resolution should be updated to include all banks where the Commission will deposit funds. A letter-of-credit should be obtained from the Credit Union if funds are going to be deposited there.

Response - We will include Farmers State Bank on the depository resolution. For North Star, we will obtain a letter-of-credit for the uninsured funds.

Conclusion - Response accepted.

- (2) Questionable Expenses - No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (4) Commission Minutes - No transactions, except as noted in item (8) were found that we believe should have been approved in the Commission minutes but were not.
- (5) Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Commission's investment policy.
- (6) Solid Waste Fees Retainage - During the year ended June 30, 2004, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

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- (7) Financial Assurance - The Commission has demonstrated financial assurance for closure and postclosure care costs as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

	<u>CLOSURE</u>	<u>POSTCLOSURE</u>
Total estimated costs for closure and postclosure care	\$ 128,930	\$ 965,265
Less: Balance of funds held in the local dedicated fund at June 30, 2003	(133,297)	(22,007)
	<u>\$ (4,367)</u>	<u>\$ 943,258</u>
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2004	<u>\$ 135,456</u>	<u>\$ 44,702</u>

The closure care account is fully funded at June 20, 2004.

The local government guaranty was used in prior years for the Commission to demonstrate financial assurance for postclosure care costs. The Commission obtained the local government guaranty from Cherokee County on June 10, 1997.

On January 26, 2004 the Commission received a letter from the DNR. A variance request to use the estimated capacity of the future lateral expansion to calculate the annual projected deposit to the Commission's closure/postclosure fund was approved. The DNR requires annual deposits to the closure/postclosure fund for the fiscal years 2003, 2004, and 2005 to be deposited in an amount no less than \$20,602. The variance is in effect until January 1, 2006. The landfill has purchased land for expansion and is working on developing the land for future landfill use.

The balance in the postclosure account at June 30, 2004 exceeds the DNR required amount of \$41,204 (\$20,602 x 2).

- (8) Business Transactions - Business transactions between the Commission and Commission officials or employees are detailed as follows:

<u>NAME, TITLE AND BUSINESS CONNECTION</u>	<u>TRANSACTION DESCRIPTION</u>	<u>AMOUNT</u>
Top Notch Repair, Manager's Son is Co-Owner	Repairs	\$ 1,108

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(8) Business Transactions - Continued:

<u>NAME, TITLE AND BUSINESS CONNECTION</u>	<u>TRANSACTION DESCRIPTION</u>	<u>AMOUNT</u>
John Loughlin, Jr., Attorney for the Commission	Accounts Receivable	\$ 31
John Mickelson, Brother of the Assistant Manager	Construction Work-Smoke House	\$ 1,272

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since the total transactions of each were less than \$1,500 during the fiscal year.